John Martin Carland

Criminal Arrest

DATE: October 11, 2001

DEFENDANT: John Martin Carland of Lawrence, Kansas

CHARGES: John Carland is charged with three counts securities fraud. Carland, a Lawrence insurance agent, allegedly deceived several clients by defrauding them out of \$1.2 million in worthless promissory notes.

COURT: Douglas County, Kansas

Disposition of Criminal Case

DATE: November 1, 2001

DEFENDANT: John Martin Carland of Lawrence, Kansas

COURT: Douglas County

JUDGE: Honorable Paula B. Martin

DISPOSITION: Carland, 53, pleaded guilty to three felony counts of securities fraud on November 1. He had no prior criminal record. Carland formerly operated as an insurance agent when he began recruiting investors for his Premier Capital business ventures. One Premier company was to profit at collecting bad debts and another was to make loans to buyers of manufactured homes. Carland promised investors monthly interest payments and returns of up to 20% per year. After obtaining initial operating capital, he told his clients that he needed more money to expand and to finance a new office lease at the Lawrence Riverfront Mall.

Carland began what is known as a Ponzi scheme in order to prolong his fraud. In a Ponzi scheme, early investors are paid their promised returns from funds obtained from new investors. When there is not enough money to make payments, the scheme collapses. Fifty-two investors from 15 states purchased promissory notes from Carland between 1996 and 2000.

Sentencing

DATE: December 7, 2001

DEFENDANT: John Martin Carland of Lawrence, Kansas

COURT: Douglas County

JUDGE: Honorable Paula B. Martin

SENTENCE: Judge Paula Martin sentenced John M. Carland to a term of 19 months on each count, to run consecutively for a total sentence of 57 months. The sentence was suspended and Carland was placed in the community corrections program for 60 months and ordered to pay restitution of \$1,222,097. As a condition of community corrections, the Court ordered Carland to serve 48 hours in the Douglas County jail.

In a separate administrative order, Securities Commissioner David Brant permanently barred Carland from associating with any broker/dealer or investment adviser in the state of Kansas.

Notice to Investors: If you are not a resident of Kansas and have been affected by actions that are similar to those described in this synopsis, you should consider contacting your state securities regulator for assistance. To locate your securities regulator, go to the <u>North American Securities Administrators Association</u> website. If you choose to contact your state securities regulator, please inform him or her of the action taken by the State of Kansas.